

Message Text

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PAGE 01 LISBON 01235 261030Z

53

ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-01

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 L-03 H-02 SAM-01

CIAE-00 COME-00 FRB-03 INR-07 NSAE-00 USIA-06 XMB-02

OPIC-03 LAB-04 SIL-01 /086 W
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R 260956Z FEB 76

FM AMEMBASSY LISBON

TO SECSTATE WASHDC 6127

INFO USMISSION EC BRUSSELS

AMEMBASSY MADRID

USMISSION OECD PARIS

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E. O. 11652: N/A

TAGS: EFIN, PO

SUBJ: PORTUGAL'S INTERNATIONAL DEBT

1. SECRETARY OF STATE SANTOS SILVA, DURING PUBLIC ADDRESS FEBRUARY 23, DISCUSSED PUBLIC DEBT OF PORTUGUESE TREASURY. HE STATED THAT TOTAL TREASURY DEBT ROSE FROM 54 BILLION ESCUDOS IN DECEMBER 1973 TO 112 BILLION IN DECEMBER 1975. LATTER FIGURE INCLUDED 21 BILLION OF GOVERNMENT GUARANTEES FOR DOMESTIC LOANS. SANTOS SILVA INDICATED THAT, IN DECEMBER 1975, THE TREASURY'S FOREIGN DEBT REACHED 19 BILLION ESCUDOS. IN ADDITION, BANK OF PORTUGAL HAS CONTRACTED 16 BILLION IN GOLD-SECURED FOREIGN LOANS (6.5 FROM BIS, 2.3 FROM IMF OIL FACILITY, 6.5 FROM GERMAN CENTRAL BANK, AND 1.3 FROM SWISS CENTRAL BANK). TREASURY AND BANK OF PORTUGAL FOREIGN DEBT WOULD, ACCORDING TO THESE FIGURES, TOTAL 35.6 BILLION ESCUDOS OR ABOUT \$1.3 BILLION AT CURRENT EXCHANGE RATE OF ESCUDOS 27.606/DOLLAR.

2. COMMENT: SANTOS SILVA'S STATEMENT CLEARLY UNDER-
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PAGE 02 LISBON 01235 261030Z

STATES SHORT-TERM FOREIGN DEBT OF GOP. HIS STATEMENTS

FOCUSED ON NARROW CONCEPT OF CENTRAL GOVERNMENT, RATHER THAN ON GREATLY EXPANDED PUBLIC SECTOR, FOREIGN DEBT. HIS DIFFERENTIATION BETWEEN TREASURY AND BANK OF PORTUGAL DEBTS, FOR EXAMPLE, WAS PROBABLY DESIGNED TO BECLOUD TRUE SIZE OF GOP FOREIGN OBLIGATIONS. TO OBTAIN GLOBAL FIGURE, ONE WOULD PROBABLY HAVE TO ADD NATIONALIZED BANKING SYSTEM'S SHORT-TERM LIABILITIES OF ABOUT \$350 MILLION TO THE \$1.3 BILLION IMPLIED BY SANTOS SILVA. IN ADDITION, SHORT-TERM PUBLIC SECTOR FOREIGN LOANS/GOP GUARANTEES MAY BE IN THE NEIGHBORHOOD OF \$300 MILLION, BUT EVEN GOP LACKS FIRM DATA ON SUCH OBLIGATIONS. TAKING ALL OF THESE FOREIGN DEBTS INTO ACCOUNT, THE TOTAL COULD PROBABLY BE CONSERVATIVELY ESTIMATED AT ABOUT \$1.95 BILLION.

3. DEPARTMENT REQUESTED PASS ABOVE INFORMATION TO MR. GERALD CHRISTIANSEN, STAFF AIDE OF SENATOR CLAIRBORNE PELL, WITH APPROPRIATE CAVEAT ON PUBLIC DISCLOSURE.
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